

**MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 9:30 a.m. on the **17th day of January, 2006**, in the Whitney Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas, said meeting having been called by the Chairman, H. Scott Caven, Jr., with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

Participating in the meeting were the following members of the Board:

H. Scott Caven, Jr., Chairman
Mark G. Yudof, Vice Chairman for Policy
Clint D. Carlson
J. Philip Ferguson
Woody L. Hunt
Colleen McHugh
Erle Nye
Robert B. Rowling
Charles W. Tate

thus, constituting a majority and quorum of the Board. Also attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Bill Edwards, Managing Director of Information Technology; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; various staff members of the Corporation; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Amy Barrett, Charlie Chaffin, Jim Phillips, Cathy Swain, and Michael Warden of UT System Administration; Greg Anderson of Texas A&M University System; and Bruce Myers and Hamilton Lee of Cambridge Associates. Mr. Caven called the meeting to order at 9:30 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Minutes

The first matter to come before the Board was approval of the minutes of the meetings of the Board of Directors held on November 16, 2005. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on November 16, 2005, be, and are hereby, approved.

Vice-Chairman Appointment

Mr. Caven recommended that the Board appoint Woody Hunt as Vice-Chairman of the Board. Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the following person is hereby appointed to the respective office of the Corporation set forth opposite his name, to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
Woody L. Hunt	Vice-Chairman

Asset Allocation and Performance

Mr. Caven asked Mr. Boldt to report on the Corporation's asset allocation and performance. Mr. Boldt distributed performance information for November 30, 2005. He discussed the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. He continued by discussing asset allocation and attribution analysis, the peer universe and value added. Mr. Boldt reported Cumulative Value Added under the Corporation's management for periods ended November 30, 2005. The net performance for the one-month period ended November 30, 2005, for the Permanent University Fund ("PUF") was 2.23% and for the General Endowment Fund ("GEF") was 2.12%, versus benchmark returns of 2.20% for each fund. The net performance for the one-year period ended November 30, 2005, for the PUF and GEF was 12.82% and 12.54%, respectively, versus benchmark returns of 11.58% for each fund. The Short Intermediate Term Fund's (SITF) performance was 0.39% versus its benchmark return of 0.32% for the one-month period, and was 1.92% versus its benchmark return of 1.49% for the one-year period ended November 30, 2005. Performance for the Short Term Fund (STF) was 0.32% versus 0.33% for its benchmark for the one-month period, and was 3.01% versus a benchmark return of 2.96% for the one-year period ended November 30, 2005. Also presented was performance attribution, statistics on liquidity, total derivatives by type and application, and actions taken under the Delegation of Authority. There was discussion of a negative cash position that occurred at the end of November due to an overnight mismatch of timing of a contribution and withdrawal from the General Endowment Fund. Mr. Boldt, Mr. Goldsmith and Ms. Iberg answered the Directors' questions. Directors Hunt and Rowling expressed clear direction that UTIMCO must not place the portfolios in an exposure position that results in negative cash.

Audit and Ethics Committee Report

Mr. Caven asked for a report from the Audit and Ethics Committee. Mr. Nye, Chairman, reported that the Audit and Ethics Committee (the "Committee") met the day before, on January 16, 2006. The Committee reviewed and considered the Corporation's Audited Financial Statements, the results of the internal controls assessment audit conducted by Ernst & Young on the Permanent University Fund and the Corporation for the year ended August 31, 2005, and the annual evaluation of enterprise risk management. The Committee also reviewed UTIMCO's compliance process, major risk exposures, and unaudited financial statements for the three months ended November 30, 2005. Further, the Committee received an update from staff on the custodian review. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that UTIMCO management's assertions on Internal Control over Financial Reporting, and the independent accountant's reports for UTIMCO and the Permanent University Fund for the year ended August 31, 2005, be, and are hereby, approved in the form as presented to the Board and,

FURTHER RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2005, and August 31, 2004 be, and are hereby, approved in the form as presented to the Board.

Joint Meeting of Audit and Ethics and Risk Committees

Mr. Nye continued by reporting on the joint meeting of the Audit and Ethics Committee and the Risk Committee. The two committees met jointly, to clarify each committee's role related to enterprise/investment risk responsibilities. Mr. Nye summarized the Audit and Ethics Committee responsibilities into four categories: Policies and Procedures, Operational Risk, Investment Risk and Corporate Compliance. Of these four categories, the two Committees concurred that the Investment Risk area and one sub-category from Corporate Compliance, the investment compliance, will be moved to the Risk Committee for oversight responsibilities, with the Audit and Ethics Committee looking to the Risk Committee for assurances and reporting on a regular basis. Mr. Tate reported on the dynamics and the investment activity of the Risk Committee. Mr. Nye and Mr. Tate agreed that this is a work in progress. The next step would be for staff and Mr. Turner to review the Charters for both committees and recommend appropriate changes to the two committees. No action was required by the Board at this time.

Risk Committee

Mr. Tate continued by summarizing the Risk Committee meeting that was also held on January 16, 2006. Mr. Tate commented that the Risk Dashboard was reviewed and discussed by the Committee in detail. These charts will be very useful to the Committee as they plan on working closely with the Staff on the practice of using risk information for future asset allocation studies.

Policy Committee

Mr. Caven stated that the first meeting of the newly formed Policy Committee was held that morning, prior to the Board meeting. Mr. Rowling, Chair of the Policy Committee, reported that the Policy Committee reviewed requested amendments to the Investment Management Services Agreement ("IMSA") and the Intermediate Term Fund Investment Policy Statement. They also reviewed a list of all policies to determine which internal guidelines and policies should be approved by the Board. Mr. Rowling recommended approving the amendments to the IMSA and the Intermediate Term Fund Investment Policy Statement in the form that had been approved by the Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Investment Management Services Agreement and the Intermediate Term Fund Investment Policy Statement as amended and approved by the Policy Committee be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Intermediate Term Fund ("ITF")

Mr. Caven asked Mr. Boldt to give an update on the Intermediate Term Fund ("ITF"). Mr. Boldt began by stating that the Staff is ready to launch the ITF on February 1st. Mr. Boldt continued by discussing accounting issues that emerged during discussions leading up to the launch of the ITF, as well as alternative methods for setting the distributions from the Fund. Mr. Boldt also presented the external manager roster and initial asset allocation for the ITF. The Staff sought approval to increase the ceiling limits to investment mandates for certain Public Market and Marketable Alternative Investments. The Directors' questions were answered by Mr. Boldt, Ms. Iberg and Mr. Goldsmith. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the proposed new limits to investment mandates for certain Public Markets Investments be, and are hereby, approved in the form as submitted to the Corporation's Board of Directors; and be it further

RESOLVED, that the proposed new limits to investment mandates for certain Marketable Alternative Investments be, and are hereby, approved in the form as submitted to the Corporation's Board of Directors, and also

RESOLVED, that the distribution rate for the Intermediate Term Fund be set at 3.0% per annum for the remainder of fiscal year 2006, 0.25% paid on a monthly basis as set forth in the Intermediate Term Fund Investment Policy Statement, effective with the March 1, 2006 distributions, subject to approval of the U.T. System Board of Regents; and

FURTHER RESOLVED, that amendments to the Intermediate Term Fund Investment Policy Statement be, and are hereby, approved in the form submitted to the Corporation's Board of Directors, subject to approval of the U.T. System Board of Regents.

Website Security Audit and Information Technology Disaster Recovery

Mr. Boldt explained that because of the operational changes occurring due to the ITF, the Corporation will now be the center of money movement by the institutions. Therefore, a secure system is a necessity. The Corporation contracted with the Denim Group to assess and advise on the security of the new CPSystem supporting the new ITF and STF and received a very favorable report. The ITF Staff is also reviewing and implementing new disaster recovery plans. Mr. Boldt and Mr. Edwards answered the Directors' questions.

The meeting was recessed at 11:50 a.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:00 p.m.

Portfolio Construction Issues

Mr. Caven asked Mr. Boldt to continue with the next item on the agenda. Mr. Boldt explained that there are very significant changes in portfolio construction being considered by various thoughtful leaders in the endowment industry. Mr. Boldt's presentation was an exchange of ideas and information on several issues

at the leading edge of thinking in the endowment and foundation community, focusing on three significant issues in new portfolio construction strategies. Mr. Boldt and Ms. Reed answered the Directors' questions.

Public Markets Investments

Mr. Caven then asked Mr. Goldsmith to give an overview of the responsibility and investment activities of the Public Markets Investments area. Mr. Goldsmith's presentation covered overview, philosophy, asset allocation and internal trades for the Public Market Investment area. The Public Markets group currently oversees approximately 56% of total endowment market value, as well as internally managed derivatives positions. They are responsible for investments in Domestic Equities, International Equities, Domestic and International Fixed Income, and presently oversee TIPS and Commodities. Mr. Goldsmith answered the Directors' questions.

Annual Report

Mr. Caven asked Mr. Boldt to continue with the next item. Mr. Boldt began the presentation of the 2005 Annual Report. He explained that the concept of the Texas theme of the Annual Report was recommended by an advisory group, consisting of development staff from several UT System institutions that meets each year to provide input to improve the reporting. He then asked Ms. Moeller to explain the process and give background on the report. Ms. Moeller stated that the Annual Report is made up of individual sections, including separate reports for the UTIMCO Annual Report, the PUF, LTF, Frequently Asked Questions ("FAQ"), "stories" from each institution, and a compact disc with the audited financial statements. The modular design of the report has been well received. Over 7,800 reports were sent out this December. The Annual Report is also available on-line on the Corporation's website.

Investment Environment and Opportunities

Mr. Caven asked Mr. Boldt to begin the discussion on current investment environment and opportunities. This agenda item provided an opportunity for the Board and Staff to have an open-ended and unstructured discussion on issues, concerns, and opportunities in the current investment environment.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:35 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: H. Scott Caven, Jr. Date: 9.22.06
H. Scott Caven, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company